

FACT SHEET ON SB NO. 276

- A. CURRENT STATUS OF MONTANA LAW: Montana presently prohibits morticians or mortuaries from selling any type of life insurance to fund a prepaid funeral contract. More than 40 states allow funeral directors to sell funeral insurance.
- B. THE ISSUE: Prearranged funeral contracts are primarily funded in one of two ways: (1) through the payment of cash which is then placed into trust until the consumer dies and the funeral service is provided; or (2) by the use of insurance. A single-pay insurance policy is usually purchased in the face amount of the funeral contract and it has a designated growth factor to keep up with inflation.
- C. PRIMARY ADVANTAGES OF FUNERAL INSURANCE:
1. Taxes: Funeral insurance grows tax-free. There are no 1099s that are distributed annually to consumers nor any taxable income at death.
 2. Convenience: Unlike normal life insurance, single-pay policies are very simple. There is no physical or qualifying. Because the face amount of the policy will equal the total of funeral goods and services purchased, it is easy to understand and administer.
 3. Medicaid Eligibility: Medicaid regulations recognize that funeral insurance policies that list mortuaries as irrevocable beneficiaries and which are used to fund prearranged funeral contracts are excludable assets for Medicaid applicants and recipients.
- D. RATIONALE FOR SB NO. 276: SB No. 276 will allow morticians to sell a limited insurance policy not to exceed \$15,000 to fund prearranged funeral contracts. This will be advantageous for the consumer for the following reasons:
1. One-Stop Shopping: The consumer will be able to purchase the funeral insurance at the same time and at the place as the prearranged funeral contract. Multiple appointments are avoided.
 2. Avoid Over Sales: By selling the funeral policy and the prearranged funeral contract at the same time, the mortuary can match up the face amount of the policy to the funeral contract. There is no sales of policies that exceed the funeral contract and result in collections of excess funds by Medicaid.
 3. Safety: Insurance is very safe and regulated. By encouraging the use of insurance as a funding vehicle, Montana consumers are protected.

Prepared by Scott Gilligan for the Montana Funeral Directors Association